

Idaho Tax Deductions

The State of Idaho offers two energy tax deductions for homeowners. The deductions are claimed on the Idaho Supplemental Schedule, Form 39R. A tax deduction reduces the taxable income upon which the Idaho income tax rate is calculated. If your Idaho income tax rate is 7% and your deduction is \$1,000, the tax saved is \$70.

Insulation of Your Primary Residence

If your home was built before 1976, you can deduct the cost of adding insulation to your home in the year the insulation was installed. Replacement of the insulation is not eligible for the deduction.

Insulation materials include fiberglass, cellulose, polystyrene, and polyisocyanurate. Other materials include mastic, caulk, double pane windows, storm doors and storm windows. Labor costs are also deductible.

If for example, you have single pane windows, double pane windows are eligible for the deduction. Also, if you have double pane windows with a steel or aluminum frame you can deduct the cost to install Energy Star rated, vinyl windows.

Alternative Energy Device

If you install an alternative energy device in your home you can deduct a portion or all of the cost of the device over 4 years.

Year	Deduction
1	40% or \$5,000, whichever is less
2	20% or \$5,000, whichever is less
3	20% or \$5,000, whichever is less
4	20% or \$5,000, whichever is less

Alternative energy devices include solar, wind, geothermal systems. Ground source heat pumps and water source heat pumps are eligible. Traditional air-to-air heat pumps are not eligible.

If you have a non-certified wood stove in the home you can deduct the cost to install an Environmental Protection Agency (EPA) certified wood stove or wood pellet stove. Natural gas or propane heating units can also replace the noncertified wood stove. The noncertified wood stove must be taken to a site authorized by the Idaho Department of Environmental Quality within 30 days of purchasing the new heating unit. The unit replacing the wood stove must be installed in the same year the noncertified stove was removed.

Contact the Idaho Tax Commission for more details.
<http://www.tax.idaho.gov/> or call 1-800-972-7660.

Contact the Idaho Department of Environmental Quality for more details.
http://www.deq.state.id.us/air/prog_issues/burning/woodstoves.cfm#Tax or call 208-373-0502.
DEQ offices are in Boise, Coeur d'Alene, Idaho Falls, Twin Falls, Lewiston and Pocatello.

Federal Tax Credits

The Energy Policy Act of 2005 created numerous tax credits for consumers and businesses if they purchase, install and place into service, a variety of energy conservation projects and renewable energy technologies. The tax credits will reduce your federal income tax liability on a dollar for dollar basis. There are various limits and restrictions. Some of which are known and some have yet to be developed by the Internal Revenue Service (IRS).

A partial list of the credits are listed below.

Consumers

Home	\$500 tax credit limit on all home improvements Projects installed between January 1, 2006 and December 31, 2007 IRS will develop rules. Be sure to check the equipment meets the required specifications. Save your receipts.	
	Insulation, windows, duct sealing	up to \$300 tax credit,
	Windows	up to \$200 tax credit
	Exterior doors	
	Pigmented metal roofs	
	Home heating equipment	up to \$300 tax credit
	Home cooling equipment	up to \$300 tax credit
	Water heater	up to \$300 tax credit
	Fuel cell and micro turbine	
	Solar, 30% of system cost is tax credit	
	Photovoltaic (electric)	up to \$2,000 tax credit
	Solar thermal	up to \$2,000 tax credit

Automobiles

New clean fuel automobiles placed in service in 2004 and 2005 are eligible for a \$2,000 tax credit. Clean fuel includes natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, 85% ethanol fuel, gas-electric hybrids.

New electric automobiles placed in service in 2004 and 2005 are eligible for a 10% tax credit up to \$4,000.

Automobiles placed in service between January 1, 2006 and December 31, 2010 60,000 qualified vehicles per manufacturer, then reduced credits for 12 months after the 60,000th vehicle is placed in service

Hybrid electric
Lean burn diesel
Alternative fuel
Fuel Cell

Businesses

Buildings
Vehicles
Solar energy
Fuel cell and micro turbine

You can learn more about the credits at the following links. The Idaho Energy Division does not offer tax advice nor do the following organizations. We recommend you contact your professional tax preparer for tax credit details.

The Tax Incentives Assistance Project (TIAP)

www.energytaxincentives.org

Alliance to Save Energy

www.ase.org/taxcredits

2004 and 2005 Tax Credits

http://www.fueleconomy.gov/feg/tax_afv.shtml

Read What's in the 2005 Energy Policy Act

http://www.neo.state.ne.us/neq_online/dec2005/dec2005.07.htm